

Statement of Chairwoman Sue Kelly
Subcommittee on Oversight and Investigations
“Government and Industry Efforts to Protect Our Money
During Blackouts, Hurricanes, and Other Disasters”
October 20, 2003

The recent blackout, which began on Thursday afternoon, August 14, left millions of Americans in the dark in many ways. Many were stranded at work, wondering how to get home. I know many of my constituents who work in the New York City did not make it home at all that night. Others were stranded at airports and transportation systems, wondering when to give up and find alternatives to waiting in dark corridors.

In the end, major cities from New City to Detroit were without centrally generated power; airports, water and sewage plants, and 911 emergency systems were shut down; and communications systems failed. It is now even clearer that the technology age we live in – which allows us to provide services and access information in a heartbeat – has increased our reliance on power. It is imperative that we review efforts to protect our systems and infrastructure that are evermore intertwined and dependent on one another.

At the heart of critical infrastructure is the safety and soundness of the financial services sector. Fortunately, through all this, it appears that the financial services sector did not suffer any serious negative impacts. But we must use the recent blackout as a test to assess the security and dependability of our financial systems. Without doubt, there are lessons to be learned and improvements to be made.

Today, we welcome Wayne Abernathy, the Assistant Secretary for Financial Institutions at the Treasury Department, who will release a special report on the impacts of the blackout that will be crucial to how handle disasters in the future. Assistant Secretary Abernathy worked around the clock with many of our other witnesses here today to implement backup plans. Joining Assistant Secretary Abernathy on our first panel is Federal Reserve Board Governor Mark Olson who was also instrumental in these efforts.

Keeping our financial systems functioning and safe requires a high degree of coordination between many different and important parties – both public and private. The private sector witnesses on our second panel are leaders in protecting critical financial services assets from major disasters. These witnesses, along with others in the private sector and government who could not be represented here today, worked to ensure that our money supply and funds flow would not be jeopardized. The Depository Trust and Clearing Corporation, the New York Stock Exchange and NASDAQ, and associations, such as the Bond Market Association, played key roles to keep the markets working during the blackout. Many other agencies were also involved in addition to the Treasury Department and Federal Reserve System, including the Securities Exchange Commission. As the regulator of the nation’s largest financial institutions, the Supervisor of the New York State Banking Department, my good friend Diana Taylor, also played a key role. We thank the SEC and Ms. Taylor for their written statements submitted for the record.

We look forward to hearing the accounts of how our witness managed during the blackout, and how emergency plans for protecting critical infrastructure – which have been in place before September 11, 2001 – worked. There is no better indicator of the success of those plans than the fact that there was apparently no financial panic either during or after the blackout. We also want to hear how prepared the witnesses are for a major hurricane with these plans and whether Hurricane Isabel had any serious consequences.

I thank the witnesses for appearing here today and look forward to your testimony. Together we can ensure that our financial systems are functioning smoothly under all circumstances and that the American people have confidence in the financial services sector.